

SUMMARY OF FLOOD INSURANCE REFORM AND MODERNIZATION ACT

- **SUFFICIENT FUNDS FOR THE NATIONAL FLOOD INSURANCE PROGRAM.**
 1. Forgives FEMA's debt of over \$17 billion.
 2. Requires FEMA to establish a reserve fund of 1% of all insurance in force, built up over time.
 3. Reauthorizes the National Flood Insurance Program (NFIP) through 2013.
- **EXPANDS/ENCOURAGES PURCHASE OF FLOOD INSURANCE**
 1. Requires properties in residual risk areas, those protected by dams or levees, to purchase flood insurance once the mapping of essential areas is complete. Rates must reflect the level of protection provided by man-made structures.
 2. Requires States to ensure that State-regulated lending institutions comply with the mandatory purchase requirements.
 3. Requires lenders to escrow all flood insurance premiums.
 4. Increases lender penalties from \$350 to \$2000 per violation and eliminates the annual cap on lender penalties.
 5. Requires accurate mapping of the 500-year floodplain, and requires notification to properties located within the 500-year floodplain.
 6. Requires notification under RESPA of the availability of flood insurance.
- **FINANCIAL SOUNDNESS**
 1. Requires certain properties to pay actuarial rates (phased in at 25% rate increase a year), including: non-primary residences; severe repetitive loss properties; commercial properties; properties damaged over 50% of the home's value; properties improved by over 30% of the home's value; and properties where offers of mitigation have been refused.
 2. Requires any new flood insurance policy to be actuarially sound and requires FEMA to adjust rates to accurately reflect risk upon revision of flood insurance rate maps.
 3. Increases the allowable annual rate increase from 10 to 15% and increases minimum deductibles.

4. Extends the Severe Repetitive Loss Mitigation program through 2013 to mitigate losses on the most at-risk properties, those that are a financial drain on NFIP due to repetitive losses.

- **MAP MODERNIZATION**

1. Authorizes Appropriations of \$400 million per year for map modernization, and requires FEMA to conduct outreach about mapping efforts.
2. Re-establishes the Technical Mapping Advisory Council and establishes standards for mapping, including requirements that all maps be updated using the most accurate data and that all maps must be digitized.
3. Eliminates the cap on state contribution towards mapping efforts, currently set at 50%, so that states can modernize their maps more thoroughly.

- **POLICYHOLDER AND TAXPAYER PROTECTION**

1. Requires FEMA to participate in state-sponsored, non-binding mediation where there are multiple insurance claims on the same property (when there are disagreements about wind v. flood damage)
2. Reiterates FEMA's responsibilities under the 2004 Reform Act to establish minimum education and training requirements for insurance agents, and requires FEMA to submit a report on its progress within 3 months.
3. Requires FEMA to collect information on flood and wind losses, specifically where an insurance company writes both policies on a single property, so that FEMA can evaluate the accuracy of flood payments.
4. Establishes a Flood Advocate to assist policyholders and to audit and investigate insurance companies participating in the program.
5. Requires better disclosure of all policy exclusions.

- **REIMBURSEMENT OF INSURANCE COMPANIES**

1. Requires Write Your Own companies, those that sell flood insurance, to submit the last 5 years of audit data to FEMA and GAO, and fines companies for each day the audits are late.
2. Requires FEMA to conduct rulemaking on how to best collect consistent and accurate expense data from insurance companies and to conduct rulemaking on reimbursement of insurance companies that tracks, as closely as possible, the actual expenses of such companies in administering the program.

- **STUDIES**

1. Requires a GAO Report on the impact of expanding coverage, both increasing the cap on coverage, and expanding coverage to include business interruption and alternative living coverage.
2. Requires FEMA to submit an annual report on the financial condition of the flood insurance program.
3. Requires GAO to report on the composition of the remaining pre-FIRM structures, the number and value of the structures, the income levels of the owners, and the most efficient way to eliminate subsidies.
4. Requires GAO to conduct a review of the 3 largest contractors FEMA uses to administer the flood insurance program.
5. Requires FEMA to conduct a study on including widely-accepted building codes as part of floodplain management criteria.
6. Requires GAO to report on the feasibility of NFIP purchasing private reinsurance to cover catastrophic losses.